

DAVID J. MEYER
VICE PRESIDENT AND CHIEF COUNSEL FOR
REGULATORY AND GOVERNMENTAL AFFAIRS
AVISTA CORPORATION
1411 E. MISSION AVENUE
P. O. BOX 3727
SPOKANE, WASHINGTON 99220
PHONE: (509) 495-4316, FAX: (509) 495-8851

RECEIVED
2015 JUL 31 AM 9:53
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE POWER COST)	CASE NO. AVU-E-15- <u>07</u>
ADJUSTMENT (PCA) ANNUAL RATE)	
ADJUSTMENT FILING OF AVISTA)	DIRECT TESTIMONY OF
CORPORATION)	PATRICK D. EHRBAR

FOR AVISTA CORPORATION

1 **Q. Please state your name, business address and**
2 **present position with Avista Corporation ("Avista" or**
3 **"Company").**

4 A. My name is Patrick D. Ehrbar and my business
5 address is 1411 E. Mission Avenue, Spokane, Washington. I am
6 employed by Avista as Manager, Rates and Tariffs in the
7 State and Federal Regulation Department.

8 **Q. Would you briefly describe your educational**
9 **background and professional experience?**

10 A. Yes. I am a 1995 graduate of Gonzaga University
11 with a Bachelors degree in Business Administration. In 1997
12 I graduated from Gonzaga University with a Masters degree in
13 Business Administration. I started with Avista in April
14 1997 as a Resource Management Analyst in the Company's
15 Demand Side Management (DSM) department. Later, I became a
16 Program Manager, responsible for energy efficiency program
17 offerings for the Company's educational and governmental
18 customers. In 2000, I was selected to be one of the
19 Company's key Account Executives. In this role I was
20 responsible for, among other things, being the primary point
21 of contact for numerous commercial and industrial customers,
22 including delivery of the Company's site specific energy
23 efficiency programs.

1 I joined the State and Federal Regulation Department as
2 a Senior Regulatory Analyst in 2007. Responsibilities in
3 this role included being the discovery coordinator for the
4 Company's rate cases, line extension policy tariffs, as well
5 as miscellaneous regulatory issues. In November 2009, I was
6 promoted to my current role.

7 **Q. What is the scope of your testimony in this**
8 **proceeding?**

9 A. My testimony provides a summary of the accounting
10 entries and account balances related to the Power Cost
11 Adjustment (PCA) for the twelve months ended June 30, 2015.
12 My testimony also addresses the proposed rebate to be
13 effective October 1, 2015, which will replace the existing
14 surcharge.

15 **Q. Are you sponsoring an Exhibit?**

16 A. Yes. I am sponsoring Exhibit No. PDE-1. Page 1
17 consists of a sheet showing the calculation of the proposed
18 uniform cents per kilowatt-hour PCA rebate of 0.032¢, as
19 well as the impact of the proposed PCA rebate rate by rate
20 schedule. Page 2 is the proposed PCA tariff, Schedule 66.

21 **Q. Would you please provide an overview of the most**
22 **recent changes to Avista's PCA methodology that were**
23 **approved by the Idaho Public Utilities Commission ("IPUC")?**

1 A. Yes. On June 29, 2007 the Commission issued Order
2 No. 30361 in Case No. AVU-E-07-01. That case dealt with the
3 review of the PCA methodology and method of recovery. The
4 Commission approved a change in the PCA methodology from a
5 trigger and cap mechanism to a single annual PCA rate
6 adjustment filing requirement.

7 The Commission also approved a change in the method of
8 PCA deferral recovery from a uniform percentage basis to a
9 uniform cents per kilowatt-hour basis effective with the
10 October 1, 2007 rate change. By Order No. 32206 in Case No.
11 GNR-E-10-03 dated March 15, 2011, the Commission modified
12 the retail revenue credit methodology and approved a Load
13 Change Adjustment Rate based on the energy classified
14 portion of embedded production revenue requirement effective
15 April 1, 2011.

16 The Commission approved the following procedural
17 schedule for administering the annual PCA filings:

18	August 1	Company filing for prior July - June
19		deferral period
20	September 1	Review and comments by Staff and other
21		interested parties
22	October 1	Commission Order and effective date of
23		PCA rate adjustment
24		

25 **Q. Would you please summarize the filing and Order**
26 **associated with the existing PCA rate?**

1 A. Yes. On July 31, 2014, Avista filed its annual PCA
2 report for the period July 1, 2013 through June 30, 2014 and
3 requested a PCA surcharge rate of 0.252¢ per kilowatt-hour
4 effective October 1, 2014. The Commission approved that
5 request in Case No. AVU-E-14-06, by Order No. 33140, dated
6 September 30, 2014.

7 **Q. Does the present filing conform to the requirements**
8 **of the prior Commission Orders regarding the PCA?**

9 A. Yes. Consistent with prior years, the proposed PCA
10 rate adjustment is based on the following:

- 11 • Deferrals for the period July 1, 2014 through June
- 12 30, 2015, including interest,
- 13 • Unamortized balance from the October 1, 2014 to
- 14 September 30, 2015 rate period, including interest,
- 15 and
- 16 • Interest recorded during the twelve months the
- 17 surcharge will be in effect (October 1, 2015
- 18 through September 30, 2016).
- 19

20 **Q. What were the amounts of deferrals and interest for**
21 **the period July 1, 2014 through June 30, 2015?**

22 A. The amounts are shown below:

23	Deferrals (July 2014 - June 2015)	(\$821,579)
24	BPA Settlement Transfer	(\$382,725)
25	Interest ¹	\$1,700
26	Balance at June 30, 2015	<u>(\$1,202,604)</u>

¹ The PCA balance for the majority of the July 2014 through June 2015 time period was in the surcharge position. As such, interest was accrued in the surcharge direction, and was only partially offset by the monthly PCA rebate entries for March through June 2015. Therefore, net interest for the year was a surcharge even with an overall rebate balance.

1 Company witness Mr. Johnson discusses the components
2 that make up the \$821,579 deferral balance shown above. The
3 \$1,700 interest amount represents interest for the twelve-
4 month period July 1, 2014 through June 30, 2015. Interest
5 for the twelve-month period was calculated using the
6 Customer Deposit Rate of 1%.

7 **Q. Would you please describe the \$382,725 "BPA**
8 **Settlement Transfer" component included in the June 30, 2015**
9 **deferral balance?**

10 A. Yes. In Avista's 2012 general rate case (Case No.
11 AVU-E-12-08), the Commission approved the Settlement
12 Stipulation that, among other things, provided for the
13 rebate of approximately \$3.8 million related to a settlement
14 between Avista and the Bonneville Power Administration
15 ("BPA") for BPA's use of the Company's transmission system.
16 While the rate under Schedule 97 was designed to rebate to
17 customers approximately \$3.8 million over the October 1,
18 2013 through December 31, 2014 time period, the actual
19 amount rebated to customers was \$3.417 million. Under the
20 terms of the tariff, "any residual balance will be trued up
21 in a future PCA filed by the Company". Therefore, in
22 January 2015, the Company transferred the balance of
23 \$382,725 into the PCA deferral account (FERC Account
24 #182387).

1 **Q. What rebate rate is the Company proposing to be**
2 **effective October 1, 2015?**

3 A. The Company is proposing a uniform cents per
4 kilowatt-hour PCA rebate rate of 0.032¢ to be effective
5 October 1, 2015. Page 1 of Exhibit No. PDE-1 shows the
6 calculation of the proposed rebate. Page 2 of Exhibit No.
7 PDE-1 is a copy of the proposed tariff, Schedule 66, which
8 contains the proposed PCA rebate rate. The proposed rebate
9 is designed to rebate the following:

10	Deferrals and interest for the July 1, 2014 through June 30, 2015 period	(\$1,202,604)
11	Projected Interest on Deferral July 1, 2015 through September 30, 2015	(\$3,012)
12	Unamortized Surcharge and Interest from the October 1, 2014 through September 30, 2015 PCA	\$236,091
13	Estimate of interest for October 1, 2015 through September 30, 2016	(\$4,848)
14		
15	Total	<u>(\$974,373)</u>

16 After applying the conversion factor related to
17 commission fees and uncollectible customer accounts, the
18 resulting rebate of \$979,373 is divided by forecasted
19 kilowatt-hours to derive the proposed rebate rate of 0.032¢
20 per kilowatt-hour.

21 **Q. What is the impact of the proposed PCA rate**
22 **decrease by rate schedule?**

23 A. Page 1 of Exhibit No. PDE-1 shows the effect of the
24 proposed PCA rate decrease by rate schedule. The proposed

1 rebate rate is 0.032¢ per kilowatt-hour, which is 0.284¢ per
2 kilowatt-hour less than the existing surcharge rate of
3 0.252¢ per kilowatt-hour. Column (f) shows the percentage
4 decrease by rate schedule. The overall decrease is 3.5%.

5 **Q. What will be the impact of the proposed rebate on**
6 **an average residential customer?**

7 A. Under the Company's proposal, the PCA rebate rate
8 for all customers, including residential customers, will go
9 from a 0.252¢ per kilowatt-hour surcharge to a 0.032¢ per
10 kilowatt-hour rebate, a decrease of 0.284¢ per kilowatt-
11 hour. Residential customers using an average of 929
12 kilowatt-hours per month would see their monthly bills
13 decrease from \$85.24 to \$82.60, a decrease of \$2.64 per
14 month, or 3.1%.

15 **Q. Is the Company continuing with its customer bill**
16 **paying assistance programs?**

17 A. Yes. The Company has several programs available to
18 assist customers with paying their bills. Avista's Comfort
19 Level Billing (CLB) plan is based on historical charges or
20 an estimate of future charges and will approximate a monthly
21 average of the Customer's estimated annual billings. The
22 concept of this plan is to help the customer budget for
23 their utility bills throughout the year by leveling out
24 seasonal highs and lows in their monthly utility bills. The

1 Customer Assistance Referral and Evaluation Services (CARES)
2 program provides assistance to special-needs customers
3 through access to specifically trained CARES representatives
4 who provide referrals to area agencies and churches for help
5 with, among other things, housing, utilities and medical
6 assistance. Low Income Home Energy Assistance Program
7 (LIHEAP) is a Federal program aimed to assist low income
8 customers pay their electric and natural gas bills. These
9 funds are distributed through local agencies. Project Share
10 is a voluntary contribution option allowing customers to
11 contribute donations that are distributed through local
12 community action agencies to customers in need.

13 Idaho customers who have children, elderly or infirmed
14 persons living in the household may qualify for the Winter
15 Moratorium plan. From December 1 through February 28,
16 customers are not required to pay their bills in full and
17 can defer payment or make partial payments. In addition,
18 the Winter Payment Plan provides for lower winter bill
19 payments by allowing customers to make monthly payments
20 equal to one-half of the levelized bill amounts, with the
21 balance in full or a new payment arrangement due by April
22 1st. The Company also works out payment arrangements with
23 customers having difficulty paying their bills.

1 In addition, the Company has convenient options that
2 help those who need flexibility, but are generally able to
3 pay. APS, or automatic payment service (money is deducted
4 from a customer's checking account automatically each
5 month), is one example. Other services include debit and
6 credit card service, check-by-phone or over the web,
7 preferred due date (the customer picks a more convenient
8 date to pay than the one the Company states on the bill),
9 and e-billing.

10 **Q. Does that conclude your pre-filed direct testimony?**

11 A. Yes, it does.